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C O N F I D E N T I A L BRATISLAVA 000692

SIPDIS

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TAGS: [PGOV](#) [ECON](#) [ETRD](#) [PINR](#) [KDEM](#) [LO](#)

SUBJECT: MINISTER OF ECONOMY, WHAT MINISTER OF ECONOMY?

REF: A. BRATISLAVA 682

[1](#)B. BRATISLAVA 677

[1](#)C. BRATISLAVA 663

[1](#)D. BRATISLAVA 626

[1](#)E. BRATISLAVA 618

Classified By: Ambassador Rodolphe M. Vallee for Reasons 1.4(B) and (D)

[1](#)1. (U) Summary. The firing of Pavol Rusko as the Minister of Economy (reftels) will not likely have a major impact on the Slovak economy. Though a long-term replacement remains uncertain, the temporary substitute, Finance Minister Ivan Miklos, has promised to enact measures which will verify all ministry transactions, implement transparent rules for state support of foreign investments, and ensure the completion of ongoing privatizations. As a result, continued economic growth should progress unaffected by the political turmoil. End Summary.

#### MARKET OUTLOOK

[1](#)2. (SBU) Although the Slovak crown depreciated slightly following Rusko's departure, analysts stress that the drop is more related to the fate of the Polish zloty than that of the former Minister. Traders warned, however, that early elections or other disruptions such as failure to pass the state budget for 2006 could alter that outlook. Budget problems could also affect Slovakia's planned 2006 entrance into the euro waiting room (ERM-II) and further devalue the crown. (Note: The budget is supposed to be approved in December 2005. Prime Minister Dzurinda told the Ambassador on August 24 that this is a key consideration in his political calculations of next steps in the Rusko affair.) Nevertheless, most analysts expect the coalition to survive in "one form or another;" they remain bullish on the crown and expect further appreciation (daily ups and downs aside) during the next 12 months.

#### CHECKING THE BOOKS

[1](#)3. (C) As interim Minister of Economy, Miklos' top priority is reportedly to scour through paperwork to check all of Rusko's dealings in the Ministry. Coalition members have disclosed that they expect to discover additional improprieties including dubious transactions and overpayments of state subsidies that personally benefited Rusko. The government believes that decisive action will shift the focus away from the turbulence of Rusko's removal and have a positive affect on the economy as transparency increases and corruption is punished.

#### FOREIGN DIRECT INVESTMENT

[1](#)4. (C) Although Rusko has taken credit for attracting foreign direct investment to Slovakia, FDI is not expected to diminish after Rusko's departure. In fact, Miklos has already stated that he will implement specific rules for FDI and end Rusko's secretive negotiations and oral contracts. One contact close to Foreign Minister Kukan contended that the country will still attract investments but will not have to pay the overly generous incentive packages typically promised by Rusko. Such transparency is welcomed by the business community, as many have expressed that FDI was increasing in spite of Rusko, and not because of him. In a recent visit of potential German investors to U.S. Steel Kosice, Rusko, though uninvited, burst in "late, behaved strangely, and looked like Mickey Mouse." The businessmen commented after that, "In Germany, we have to buy tickets to see such a circus performance".

#### PRIVATIZATIONS

[1](#)5. (SBU) The lead opposition party announced August 24 that it would attempt to stop the privatization of the Slovak power company and railroad cargo rights because an unstable minority ruling coalition should not be permitted to undertake such important economic actions for Slovakia. Miklos, however, has promised that the privatizations will proceed as planned before elections in 2006.

VALLEE

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